AO 121 (6/90) U.S. PATENT & TRADEMARK OFFICE

TO:	
COMMISSIONER OF PATENTS AND TRADEMARKS (USPTO) P.O. Box 1450 Alexandria, VA 22313-1450	REPORT ON THE FILING OF DETERMINATION OF AN ACTION OR APPEAL REGARDING A COPYRIGHT

In compliance with the Act of July 19, 1952 (66 Stat. 814; 35 U.S.C. 290) you are hereby advised that a court action has been filed on the following patent(s) in the U.S. District Court:

DOCKET	DATE FILED	UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION
07-cv-02178	04/19/2007	

PLAINTIFF	DEFENDANT
Vanguard Products Group, Inc. Telefonix, Inc.	Merchandising Technologies, Inc.

PATENT NO.	DATE OF PATENT	PATENTEE
6,799,994 B2	Oct. 5, 2004	Inventor: Paul C. Burke Assignee: Telefonix, Inc.

In the above-entitled case, the following patent(s) have been included:

DATE INCLUDED	INCLUDED BY [ ] Amendment [ ] Answer [ ] Cross Bill [X] Other Pleading	
PATENT NO.	DATE OF PATENT	PATENT

In the above-entitled case, the following decision has been rendered or judgment issued:

DECISION/JUDGMENT : For the reasons set forth below, defendant's Motion to transfer 23 is granted. Because the court is tranferring this case to the District of Oregon, plaintiffs' motion for preliminary injunction 20 is denied without prejudice as to its renewal. It is hereby ordered that this case is transferred to the District of Oregon. Civil case terminated.

CLERK	(BY) DEPUTY CLERK	DATE
Michael W. Dobbins	Roberto Perez	September 21, 2007

United States District Court, Northern District of Illinois

Name of Assigned Judge or Magistrate Judge	Joan B. Gottschall	Sitting Judge if Other than Assigned Judge	
CASE NUMBER	07 C 2178	DATE	8/21/2007
CASE TITLE	Vanguard Products Group, Inc. et al. vs. Merchandising Technologies, Inc.		

DOCKET ENTRY TEXT

For the reasons set forth below, defendant's motion to transfer [23] is granted. Because the court is transferring this case to the District of Oregon, plaintiffs' motion for a preliminary injunction [20] is denied without prejudice as to its renewal. It is hereby ordered that this case is transferred to the District of Oregon.

■[For further details see text below.]

Docketing to mail notices.
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STATEMENT

Before the court is defendant Merchandising Technologies, Inc.'s ("MTI") motion to transfer venue to the District of Oregon. Plaintiffs Vanguard Products Group, Inc. ("Vanguard") and Telefonix, Inc. ("Telefonix") are the owners of United States Patent No. 6,799,994 (the "'994 Patent") and have sued MTI for its infringement. The '994 Patent is assigned to Telefonix and Vanguard is the exclusive licensee of the '994 Patent, with the right to sue for patent infringement. Plaintiffs are both incorporated in Illinois. Vanguard's principal place of business is in Florida and Telefonix's principal place of business is in Illinois. MTI is an Oregon corporation with its principal place of business in Oregon.

On August 1, 2005, MTI filed suit against Vanguard and Telefonix in the District of Oregon, seeking a declaratory judgment of non-infringement of the '994 Patent and damages for antitrust violations and unfair competition, based upon its allegations that Telefonix and Vanguard were threatening a patent enforcement action. The case was assigned to the Honorable Anna J. Brown, United States District Judge. *See Merch. Tech., Inc. v. Telefonix, Inc. & Vanguard Prod. Group, Inc.*, Case No. CV-05-1195-BR. That case is still pending before Judge Brown.

In February of 2006, Vanguard and Telefonix moved to dismiss MTI's claims regarding the '994 Patent on the grounds that MTI failed to allege "an objective reasonable apprehension of an imminent lawsuit of the '994 Patent," and that the Oregon court therefore lacked subject matter jurisdiction. Potter Decl. Ex. 3 (Vanguard/Telefonix Mot. to Dismiss 2). In support of their motion, Vanguard and Telefonix submitted affidavits of their employees, who stated that as of August 1, 2005, they did not believe MTI was an infringer of the '994 patent and that as of February, 2006, they had "still [did] not believe that MTI is an infringer of the '994 patent." Potter Decl. Ex. 4 & 5 (Aff.'s of Allison S. Burke, Director of Sales and Marketing of Telefonix, & Christopher A. Kelsch, President of Vanguard). The court held that MTI had "not established a basis for an objectively reasonable apprehension at the time of filing this action that Defendants would

imminently file a patent-infringement action against [MTI]." *Merchandising Technologies, Inc. v. Telefonix, Inc.*, No. 05-CV-1195-BR, 2007 WL 464710, at *11 (D. Or. Feb. 7, 2007). The remaining claim in that case is a false marking claim relating to United States Patent No. 6,386,906 (the "906 Patent").

Judge Brown issued her ruling in February of 2007 and then gave Vanguard and Telefonix until June 1, 2007, to bring any counterclaims against MTI. On April 19, 2007, Vanguard and Telefonix filed a one count complaint in this court, alleging that MTI was infringing its '994 patent.

At least superficially, the emphasis of the two suits is slightly different, given that Judge Brown's ruling has left only the false marking claim relating to the '906 Patent remaining. However, the '994 Patent is a continuation of the '906 Patent. The written description and the drawings of the two patents are the same, although of course, the scope of the claims must arguably be different. Regardless, Vanguard and Telefonix do not dispute that they could have brought this patent infringement claim as a permissive counterclaim in the case pending before Judge Brown. *See* Pl.'s Opp. to Mot. to Transfer Venue 4. The parties in this case are identical to the parties in the case before Judge Brown.

The court emphasizes that it has not considered the correctness of Judge Brown's ruling regarding MTI's claims before her, nor is it in a position to do so. Similarly, it is not persuaded by MTI's assertions that Judge Brown will likely rule in its favor on its pending motion to reconsider the dismissal of its non-infringement action in light of new law regarding the "reasonable apprehension of suit" standard for declaratory judgment actions because the court has no way of knowing what Judge Brown will do with the case pending before her.

Section 1404(a) governs the transfer of an action from one federal district to another. *See* 28 U.S.C. § 1404(a). A transfer is appropriate if venue is proper in both districts, transfer promotes the convenience of the parties and witnesses and transfer is in the interests of justice. *Solaia Tech., Inc. v. Rockwell Automation, Inc.*, No. 03 C 566, 2003 WL 22057092, at *2 (N.D. Ill. Sept. 2, 2003). Plaintiffs in this case do not dispute that venue is proper in both districts. *See* Pl.'s Opp. to Mot. to Transfer Venue 1.

With respect to the convenience of the parties and the witnesses in this case alone, the court sees convenience and inconvenience as balanced. Illinois is apparently more convenient for Vanguard and Telefonix, although Vanguard witnesses will need to travel no matter what, and Oregon is more convenient for MTI. Plaintiffs concede as much. *See* Opp. 7-8 ("Just as MTI would be somewhat inconvenienced by having to litigate this case in Illinois, Vanguard would likewise be inconvenienced by having to litigate this case in Oregon. . . . as Vanguard Products Group, Inc. has its principal place of business in Tampa, Florida, any potential employees who might have to testify will be inconvenienced regardless of whether the trial is held in Illinois or Oregon.")

Indeed, plaintiffs do not argue that Illinois is more convenient than Oregon. Rather, plaintiffs' argument boils down to their assertion that given the conveniences are more or less neutral, their choice of forum should be given substantial weight. *See Solaia Tech., Inc.*, 2003 WL 22057092, at *2 ("One factor relevant to the convenience analysis is the plaintiff's choice of forum, which is entitled to substantial deference, particularly when the chosen forum is the plaintiff's home state.") This argument fails for two reasons. First, as this court held in *Solaia*, this factor is not entitled to any deference when the plaintiffs could have filed a counterclaim in another action that was filed first. *See id.* ("To the extent these two actions are seen as related, [defendant] sued first and its choice of forum was the Eastern District of Wisconsin. This court sees no reason why [plaintiff] could not have filed its action as a counterclaim in the [defendant's] litigation, in which case the plaintiff's choice of forum would have been the Eastern District of Wisconsin.") Here, as was

the case in *Solaia*, MTI filed its action first in Oregon, its choice of forum. Vanguard and Telefonix moved to dismiss MTI's claims in Oregon and then filed the same exact claim—though reversed to reflect their status as plaintiffs—here in Illinois rather than bringing it as a counterclaim to the one proceeding in Oregon. Therefore, Vanguard and Telefonix are not entitled to the same deference as is normally afforded plaintiffs regarding their choice of forum. Second, because the case pending in Oregon will proceed notwithstanding this court's ruling, a decision to retain the case here will double the inconvenience to both parties. That is, the witnesses in Oregon will have to fly here for the proceedings before this court, and the witnesses in Illinois will have to fly to Oregon for the proceedings there, and the witnesses in Florida will have to fly to two places as opposed to having everyone go to Oregon for one case. Therefore, the court finds that transfer will promote the convenience of the parties and the witnesses.

Regardless, the crucial inquiry is whether transfer is in the interest of justice. This factor considers the efficient functioning of the court system. *See id.* (citing *Coffey v. Van Dorn Iron Works*, 796 F.2d 217, 221 (7th Cir. 1986)). "[R]elated litigation should be transferred to a forum where consolidation is feasible." *Coffey*, 796 F.2d at 221. Though there is no way for this court to guarantee that the transfer of this case to Oregon will result in the consolidation of this case with the one proceeding before Judge Brown, the consolidation of the two cases is certainly more feasible in Oregon than it is here given the fact that there is no motion to transfer the case pending in Oregon. By Vanguard's own admission, the patent at issue in Oregon (the '906 Patent) and the patent at issue here (the '994 Patent) are related. *See* Pl.'s Opp. to Mot. to Transfer Venue 4, n.4, 11. Though they are different patents, it appears that '906 is the "parent patent"–that is, it is the original patent through which the '994 patent issued as a continuation. It is well established that the existence of related litigation in the transferee forum is a significant factor favoring transfer. *See Coffey*, 796 F.2d at 221; *Keppen v. Burlington Northern R. Co.*, 749 F.Supp. 181, 184 (N.D. Ill. 1990). Because the patents are related, and because Vanguard does not dispute that it could bring this claim as a counterclaim in the Oregon case, it makes sense to transfer this case there so the two cases can be tried together.

Furthermore, the court is persuaded that Judge Brown is in a better position to preside over these cases given that the case before her has been pending for nearly two years, and she presumably has more familiarity with the technology at issue. Plaintiffs' argument that this court is more constrained by an opinion of Judge Bucklo regarding the '994 Patent than is Judge Brown is unavailing. The parties have not argued that there is a difference in the substantive law between the Seventh Circuit and the Ninth Circuit that would have an effect on the disposition of this case.

Therefore, because MTI's action was filed first in Oregon, and because the court finds the transfer would serve the interest of justice, it is appropriate that Vanguard and Telefonix's later-filed action be transferred to the District of Oregon.